Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	

REPLY COMMENTS OF SBC COMMUNICATIONS INC.

SBC Communications Inc. (SBC) hereby submits its reply comments in response to the Commission's *Notice of Proposed Rulemaking* in this proceeding.[1] Once again, SBC has an interest in this proceeding as an incumbent local exchange carrier (ILEC), as a new entrant interexchange carrier (IXC), and as a competitive local exchange carrier (CLEC).

In considering the widely divergent views expressed by commenters in this proceeding, the Commission should be mindful of the far-reaching effects that its regulations have in the market. Chairman Powell recently articulated a set of central policy objectives that should serve as a guide for the Commission as it considers a major overhaul of the intercarrier compensation regime.[2] These objectives include minimizing regulation that will stifle investment and innovation, promoting facilities-based competition and preserving universal service in a pro-competitive manner. The current "patchwork quilt" of implicit subsidies and disparate intercarrier compensation rules clearly are not meeting these objectives. After years of focusing on specific problems and incremental corrections, the Commission has wisely initiated a proceeding to replace the legacy regulatory framework with a new unified approach to intercarrier

[1] *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, 16 FCC Rcd 9610 (2001) (*Intercarrier Compensation NPRM*).

[2] Chairman Michael K. Powell, Remarks at a Press Conference, *Digital Broadband Migration - Part II* (Oct. 23, 2001).

compensation. SBC fully supports this approach and urges the Commission to remain focused on developing and implementing a permanent intercarrier compensation regime that will achieve its broader objectives.

The Commission has tentatively concluded that existing forms of intercarrier compensation – including reciprocal compensation for local, wireless and Internet traffic, and interstate and intrastate access charges – should be replaced with a unified bill and keep regime. Bill and keep effectively changes the primary source of cost recovery for transport and termination from carriers to end users, which means the Commission's implementation of a bill and keep regime necessarily involves more than the elimination of intercarrier compensation. SBC's initial comments expressed conditional support for bill and keep, provided the Commission fully implements bill and keep by ensuring there are federal and state end user recovery mechanisms in place. Experience has shown that a piecemeal approach to intercarrier compensation reform will not work and will create more problems than it solves. Thus, end user pricing reform and universal service support reform are critical components of implementing a unified intercarrier compensation regime.

I. Introduction and Summary

SBC was one of the only, if not the only, commenters to present a comprehensive reform plan that addresses critical end user recovery issues. Many of the current problems stem from the fact that the existing intercarrier compensation regime continues to rely heavily on interstate and intrastate access services to subsidize below-cost local residential telephone service. The Commission cannot eliminate these important sources of cost recovery without replacing them with adequate end user recovery mechanisms, which simply do not exist today. At the same time, the Commission must provide explicit universal service support to ensure that end user prices remain affordable in a bill and keep environment. These end user pricing and universal service reforms, which must precede the implementation of bill and keep, will promote sustainable competition in the local residential market and provide a stable source of universal service funding.

SBC's reform plan also contains a set of bill and keep rules that is a modified version of the Commission's Office of Plans and Policy (OPP) Central Office Bill and Keep (COBAK) proposal. Rather than attempting to engineer a regulatory solution for the marketplace, SBC's proposed rules are designed to facilitate carrier-to-carrier negotiations and to minimize the need for inefficient government regulation. The rules also are designed to balance the interests of diverse carriers (*e.g.*, incumbent versus new entrant, wireless versus wireline carrier) and to accommodate rapid technological change. In order to eliminate the arbitrage problems that have arisen under the existing assortment of intercarrier compensation rules, bill and keep should be mandatory for the exchange of all telecommunications traffic between a LEC network and another carrier's network (including transport arrangements) in all states.

Under SBC's reform plan, bill and keep will be accompanied by pricing reforms that give ILECs the same flexibility as other carriers to recover the costs of providing end office switching, common line charges and network-to-network transport from their end users. The Commission itself is responsible for replacing interstate switched access charges with comparable end user recovery. With respect to intrastate services, the Commission should establish general requirements for state end user recovery mechanisms to ensure residential local service prices are self-supporting with no reliance on other services. End users will benefit from these changes because all carriers will have the ability to implement services and calling plans that meet their needs.

In contrast to SBC's approach, most commenters focus on issues that relate to their individual interests, without regard for the overall structure of the intercarrier compensation regime. AT&T, for example, staunchly defends existing calling-party's-network-pays (CPNP) rules that apply to long distance calls. The Commission should be skeptical of AT&T's motives, given that AT&T has invested heavily in alternative technologies such as cable modem services that bypass the very access charge structure it is seeking to preserve. Moreover, AT&T's assertions that bill and keep will create more arbitrage opportunities and the need for more regulatory intervention than CPNP are not credible.[3] By shifting the primary means of cost recovery for transport and termination from carriers to end users, bill and keep will streamline the cost recovery process and allow end users to exercise direct control over their costs. Bill and keep also will facilitate private negotiations and prevent carriers from improperly shifting their costs to other carriers.

A number of commenters, including AT&T and CompTel, support retaining the CPNP regime and adopting mandatory TELRIC-based pricing for ILEC interstate access services.[4] These TELRIC proposals are inconsistent with the Commission's goals of implementing a pro-competitive and deregulatory intercarrier compensation regime. While heavy-handed price regulation of ILECs may be attractive to competitors, mandatory TELRIC-based pricing for access services would create significant end user pricing and universal service issues. Instead, the Commission should continue its market-based approach and implement structural changes to the intercarrier compensation regime that will enhance the operation of the market. Bill and keep will minimize arbitrage opportunities, create a more efficient system of intercarrier payments and give end users direct control over the cost of receiving services. The result will be a regulatory environment that will promote competition and minimize the need for regulation.

A number of CLECs seek to maintain the current patchwork of intercarrier compensation rules and preserve regulatory arbitrage opportunities such as reciprocal compensation for ISP-bound traffic and the use of virtual NXX arrangements to bypass applicable toll charges. Some CLECs go so far as to argue that promoting regulatory

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[3] *See* AT&T Comments at 26-29.

[4] Id. at 13-20; CompTel Comments at 18-21.

arbitrage serves the public interest.[5] As the Commission has recognized, regulatory arbitrage distorts a competitive market and serves only the interest of the party that perpetrates it.[6] A unified bill and keep approach will eliminate many of the regulatory arbitrage problems that have arisen in the existing intercarrier compensation regime.

Some rural LECs and state regulatory agencies raise concerns about the end user impacts of implementing a bill and keep regime. SBC shares these concerns, but believes the solution is to implement end user pricing reform and universal service reform prior to transitioning to bill and keep. Federal and state regulators cannot continue to rely on implicit subsidies as the primary support mechanism for below-cost local residential service. End users will benefit from pricing structures that are more efficient, as well as from the competition that will be unleashed in an environment where carriers can recover their costs. In addition, end users will benefit from a universal service system that provides direct support where it is needed to maintain affordable prices, rather than continuing to rely on an outdated system of implicit subsidies that is unsustainable in a competitive market.

In Section II below, SBC discusses the benefits of bill and keep and demonstrates that it is more efficient and deregulatory than the existing CPNP regime. Bill and keep also eliminates many arbitrage problems created by existing intercarrier compensation rules. In Section III, SBC demonstrates that its comprehensive reform plan addresses many of the concerns raised about the implementation of bill and keep. The Commission must rationalize end user charges and reform the universal service system as part of its implementation of bill and keep. Section IV discusses the Commission's legal authority

[5] CompTel Comments at 8; GNAPs Comments at 7-8.

[6] *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 and Intercarrier Compensation for ISP-Bound Traffic*, CC Docket Nos. 96-98 and 99-68, Order on Remand and Report and Order, 16 FCC Rcd 9923, at ¶ 71 (2001) (*ISP Intercarrier Compensation Order*), *appeals docketed*, Nos. 01-1218 et al. (D.C. Cir. May 17, 2001).

to implement mandatory bill and keep rules for interstate and intrastate traffic. Finally, in Section V, SBC explains why the Commission should reject proposals to retain the CPNP regime and to impose mandatory TELRIC-based pricing for ILEC access services.

II. Bill and Keep Will Produce End User Benefits and Eliminate Many Problems Created by Existing Intercarrier Compensation Rules

A. A Bill and Keep Regime Is Efficient and Pro-Competitive

SBC supports the Commission's decision to re-examine the policy justifications for bill and keep and the efficiencies of bill and keep arrangements. As SBC indicated in its initial comments, a bill and keep regime that includes the necessary end user recovery mechanisms will be a significant improvement over the existing patchwork quilt of intercarrier compensation rules. Most commenters recognize the deficiencies of the existing CPNP regime and do not oppose bill and keep in principle. To the extent commenters do not support the Commission's bill and keep proposal, it typically is due to concerns about how bill and keep will be implemented.

AT&T, however, devotes the bulk of its comments to defending the CPNP regime as more efficient and deregulatory than bill and keep. Not surprisingly, the economic analysis submitted by AT&T relies heavily on the traditional justification for CPNP that the calling party is the sole cost causer, and it focuses on the scenario of a traditional long distance call. AT&T's position is that the calling party is the cost causer and should bear all of the costs associated with a call.[7] It argues that, by forcing a calling party to bear the direct costs of originating and terminating a call, CPNP is more efficient and has the

[7] AT&T Comments at 22.

effect of discouraging more unwanted calls than bill and keep.[8] AT&T also claims that bill and keep will increase the need for regulatory intervention because regulators will have to focus more on end user charges than they currently do on intercarrier charges.[9]

There are numerous flaws in AT&T's reasoning. In the *Intercarrier Compensation NPRM*, the Commission itself questioned the traditional "simplifying assumption" that the calling party is the sole cost causer of a call.[10] As the Commission noted, when a LEC terminates a call originating on the network of another LEC, it provides a benefit to both the originating caller and to the called party.[11] Bill and keep provides a mechanism for end users to pay for the benefit of making and receiving calls.[12] SBC concurs in this analysis and believes it accurately reflects the fact that there is market demand for call termination, just as there is for call origination. As Sprint notes in its comments, *both* the calling party and the called party play a role in causing the costs of a call to be incurred, so it is reasonable for both parties to pay for part of the call.[13]

Moreover, AT&T's assumption that CPNP "forces the calling party to bear all of the direct costs of a call" is simply incorrect.[14] Today, neither the calling party nor the called party pays for the direct costs of a call. In the case of a long distance call, for example, the calling party pays the IXC, which typically pays other carriers to originate and terminate the call. The IXC may be able to exercise some control over the cost of

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[8] *Id.* at 25-26.

[9] *Id.* at 26-29.

[10] *Intercarrier Compensation NPRM* at ¶¶ 19, 37.

[11] *Id.* at ¶ 37.

[12] *Id.*

[13] Sprint Comments at 14.

[14] *See* AT&T Comments at 25.

originating the call, but the end user is one step removed. Further, neither the calling party nor the IXC has the ability to control the cost of terminating the call (the so-called terminating monopoly problem). AT&T's assumption also ignores the fact that IXCs charge rates that are averaged on a nationwide basis, which means the calling party does not even pay the IXC's direct costs of completing a call. The charges that are assessed on the called party are designed to recover the IXC's overall costs, not the costs "caused" by the calling party.

AT&T also exaggerates the impact of bill and keep on called parties to support its argument. There is no reason to expect that shifting the cost of local switching (a relatively small cost component) to the called party will result in a dramatic increase in unwanted calls. End users receive unwanted calls today in a CPNP regime. In any event, a called party has various options for minimizing or eliminating the cost of unwanted calls in a bill and keep regime, such as having an unlisted number, using caller ID or purchasing a flat-rated service plan that allows them to make and receive an unlimited number of calls.

Contrary to AT&T's assertion, bill and keep provides a much more efficient and direct way for carriers to recover their costs from end users than CPNP. The end user benefits of bill and keep flow from the fact that bill and keep shifts the primary source of cost recovery for a call from carriers to end users. Bill and keep allows end users to exercise direct control over their costs of making and receiving calls.[15] Rather than paying twice for the cost of network access – once directly to the LEC and once indirectly to the IXC – the end user establishes a retail relationship with one or more carriers to obtain network access and transport services. As a result, the end user is more empowered to respond to the carrier's pricing decisions[16] and carriers will have the

[15] *Intercarrier Compensation NPRM* at ¶ 40.

[16] *Id.*

incentive to offer more efficient retail prices and a greater choice of services and pricing plans.[17]

In addition, bill and keep allows more efficient pricing within the framework of Section 254(g), which requires that IXCs charge interstate long distance rates that are averaged on a nationwide basis. As noted above, the rate averaging requirement of Section 254(g) shields end users from the direct costs of a long distance call and creates implicit subsidies from end users in low-cost areas to end users in high-cost areas. The Commission has consistently recognized that the costs of network access vary by geographic area and that deaveraged network access prices promote competition in both urban and rural areas.[18] Therefore, by shifting the payment obligation for network access from IXCs to end users, the Commission can allow more efficient and pro-competitive pricing of network access services while preserving national averaging of interstate long distance rates.[19]

If structured properly, uniform bill and keep rules will produce additional efficiencies by encouraging voluntary negotiations and minimizing the need for regulatory intervention. In a bill and keep regime, carriers no longer will be able to improperly shift costs from their own end users to other carriers, as often occurs in today's CPNP environment. Bill and keep also will encourage carriers to establish mutually agreeable traffic exchange points and will require carriers to recover unavoidable costs (*e.g.*, end office switching and the loop) from their own end users. As

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[17] BellSouth Comments at 15-17.

[18] *See, e.g.*, *Access Charge Reform, et al.*, CC Docket No. 96-262, et al., Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221, ¶ 59 (1999) (*Pricing Flexibility Order*).

[19] Qwest Comments at 34.

Sprint points out, bill and keep increases efficiencies by eliminating many of the transaction costs associated with measuring and billing for intercarrier compensation.[20]

Bill and keep also avoids the problem of regulators having to be heavily involved in price regulation. The Commission correctly noted that bill and keep avoids the problem of regulators having to allocate common costs among services.[21] As the Commission recognized, "there is no perfect solution to these cost allocation problems" in a CPNP regime and regulators cannot know enough about specific market conditions.[22] Therefore, regulators will continue to struggle as they attempt to establish the "right price" and keep pace with rapid technological and market changes.[23] In a bill and keep regime, carriers will recover most of their costs directly from end users and will enter into voluntary arrangements with other carriers for transport. Experience has shown that intercarrier compensation arrangements determined by market forces are far superior to arrangements that are dictated by regulatory fiat.

B. Uniform Bill and Keep Rules Will Minimize Regulatory Arbitrage

Uniform bill and keep rules will eliminate many arbitrage problems created by the current patchwork of intercarrier compensation rules. CompTel and other CLECs brazenly attempt to defend regulatory arbitrage as a legitimate means of increasing competition and putting downward pressure on prices.[24] However, the Commission already has reached the opposite conclusion – that arbitrage problems such as massive reciprocal compensation payments for ISP-bound traffic create market distortions and

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[20] Sprint Comments at 6.

[21] *Intercarrier Compensation NPRM* at ¶ 39.

[22] *Id.*

[23] Home Telephone Comments at 11.

[24] CompTel Comments at 8.

undermine the operation of a competitive market.[25] The Commission also found that arbitrage creates a barrier to sustainable competition.[26]

CompTel's attempt to support its claim by characterizing a non-facilities-based cellular reseller as a form of regulatory arbitrage misses the point entirely.[27] The Commission defines "regulatory arbitrage" as profit-seeking behavior that arises when a regulated firm is required to set different prices for products or services with a similar cost structure.[28] Resale and other legitimate market entry strategies clearly do not meet this definition and have absolutely nothing to do with the type of egregious arbitrage behavior at issue in this proceeding. The most significant arbitrage problems are having a harmful effect on the market and should be resolved immediately, regardless of when the Commission implements broader reforms of the intercarrier compensation regime.

Specifically, as SBC discussed in its initial comments, the Commission should finally eliminate the arbitrage opportunity for ISP-bound traffic. A number of CLECs seek to undo the effects of the *ISP Intercarrier Compensation Order* and revert back to treating ISP-bound traffic the same as voice traffic for reciprocal compensation purposes.[29] The Commission would have to ignore years of experience, the extensive record in the *ISP Intercarrier Compensation* proceeding and its own findings of market distortions in order to sanction reciprocal compensation payments for ISP-bound traffic. If anything, the Commission should move in the opposite direction and accelerate its transition plan so that reciprocal compensation payments for ISP traffic are completely

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[25] *ISP Intercarrier Compensation Order* at ¶ 71.

[26] *Id.*

[27] CompTel Comments at 7.

[28] *Intercarrier Compensation NPRM* at n.18.

[29] Allegiance Comments at 39-40; CompTel Comments at 5-6; Focal et al. Comments at 23.

eliminated. The targeting of ISP customers for the purpose of generating massive reciprocal compensation payments does not promote beneficial competitive entry or rational pricing in the market.

Another significant regulatory arbitrage problem is that some CLECs are reclassifying the functional equivalent of a long distance call as a local call using virtual NXX (or VNXX) arrangements. SBC agrees with Verizon that this is nothing more than the fraudulent and wasteful misuse of scarce telephone numbers.[30] A number of CLECs attempt to defend the use of VNXX arrangements as a way of expanding their local calling area and competing with ILEC foreign exchange (FX) arrangements.[31] Neither claim withstands even cursory scrutiny. A VNXX arrangement does not expand the CLEC's local calling area – it expands *the ILEC's local calling area* by allowing ILEC end users to bypass applicable toll charges. Moreover, a CLEC accomplishes this by fraudulently appropriating the ILEC's transport network. Not only is the ILEC deprived of compensation, the CLEC is then able to extract reciprocal compensation payments from the ILEC. In addition, a VNXX arrangement is not comparable to an ILEC FX service, where the FX customer pays the ILEC for the dedicated facilities that allow a calling party to avoid the toll charges that otherwise would apply. Thus, the VNXX scheme that CLECs are employing does not constitute a legitimate means for a CLEC to compete or to define a local calling area.

SBC's initial comments identified a number of other arbitrage problems created by existing intercarrier compensation rules. These problems have the potential to grow exponentially if left unresolved by the Commission. For example, the use of Internet telephony to bypass interstate and intrastate access charges has the potential to be as large

[30] Verizon Comments at 4.

[31] *See, e.g.*, Cablevision Lightpath Comments at 7; Cbeyond Communications Comments at 12; Focal et al. Comments at 57.

of a problem as reciprocal compensation payments for ISP-bound traffic. As Qwest points out, some IXCs claim that any voice traffic employing Internet protocol is exempt from access charges, even when it is otherwise indistinguishable from conventional long distance traffic.[32] It is an ominous sign that companies such as AT&T are making huge investments in Internet telephony and cable modem services to exploit the arbitrage opportunities of the current rules. The Commission correctly has recognized that one of its goals in this proceeding should be to adopt a unified intercarrier compensation regime that minimizes the potential for such arbitrage.

III. SBC's Comprehensive Reform Plan Addresses Many Concerns About the Effects of Implementing a Bill and Keep Regime

Many commenters do not oppose bill and keep in principle, but raise concerns about how bill and keep will be implemented. SBC shares some of these concerns and has presented a comprehensive reform plan that will lay the groundwork for bill and keep. As discussed further below, the Commission should address concerns about the effect of bill and keep on end users by ending the reliance on implicit subsidies and providing adequate universal service support to ensure that end user prices remain affordable in a bill and keep environment. The Commission also should address carrier concerns about bill and keep by adopting default rules that create the proper economic incentives and take into account the reality of existing network configurations. Moreover, the Commission should address arbitrage concerns by applying bill and keep consistently to the exchange of all telecommunications traffic between a LEC network and another carrier's network

[32] Qwest Comments at 18.

A. SBC's Plan Addresses Concerns About End User Prices

A number of commenters, including state commissions and rural LECs, express concerns about the impact of bill and keep on end user prices and universal service.[33] These concerns are understandable, given that long distance and access charges have been used to subsidize local residential services for almost 100 years. As a result, dismantling the current system of implicit subsidies and replacing it with a bill and keep regime undoubtedly will have a major impact on end user prices and the universal service system. But bill and keep is not the source of the problem. To the contrary, implementation of bill and keep provides a unique opportunity for the Commission to resolve longstanding end user pricing problems created by the legacy system of implicit subsidies that was created in a monopoly environment.

Many commenters who claim that bill and keep will result in "rate shock" for end users and will adversely impact universal service fail to acknowledge the inherent defects of the current system of implicit subsidies.[34] The problem is that federal and state regulators continue to rely on implicit subsidies maintained in prices for long distance and access services as the primary source of universal service support. This outdated system of implicit subsidies is unsustainable and incompatible with the pro-competition

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[33] *See, e.g.*, Texas PUC Comments at 14-15; California PUC Comments at 3-4; Wisconsin PSC Comments at 4-5. The California PUC also argues that implementing bill and keep would violate Section 254(k) of the Act because basic end user rates would have to bear an unreasonable share of joint and common costs of the network and would become a source of subsidy for competitive services. California PUC Comments at 7-8. The Fifth Circuit, however, recently held that recovering loop costs from end users does not implicate Section 254(k), which governs only the allocation of joint and common costs between supported and unsupported services. *Texas Office of Pub. Util. Counsel et al. v. FCC*, No. 00-60434, 2001 U.S. App. LEXIS 19974, at *23 (5th Cir. Sept. 10, 2001). Likewise, the recovery of costs associated with network access directly from end users in a bill and keep regime does not implicate Section 254(k) because it merely establishes a cost recovery mechanism and does not create subsidies for competitive services.

[34] *See, e.g.*, Western Alliance Comments at 1-2; Regulatory Commission of Alaska Comments at 2-3; ATA Comments at 4.

provisions of the 1996 Act. It should not be surprising that implicit subsidies have been eroding rapidly due to competitive pressure and arbitrage, while competition has been slow to develop for local residential services that are priced below-cost. The Commission must address these problems by ending the reliance on implicit subsidies and rationalizing end user prices *before* it implements a bill and keep structure that results in the elimination of carrier access charges.

The fact that end user prices in some areas are currently half of what it costs to provide service does not justify retaining implicit subsidies, but rather demonstrates the urgent need for reform.[35] A universal service system that hides the true cost of providing service and relies on implicit subsidies is not sustainable in a competitive environment. SBC opposes proposals to continue with a system of implicit subsidies that is broken beyond repair. The permanent solution is to implement a bill and keep regime that provides for efficient cost recovery directly from end users and makes available explicit universal service support in those areas where it is needed. In fact, bill and keep actually will improve the universal service support system by giving end users direct control over the cost of receiving service and exposing network access and transport services to competitive pressure. This will help to minimize the amount of universal service support that will be needed. Of course, the Commission must establish the necessary end user recovery mechanisms before it can make a rational public policy determination of how much support will be needed to maintain affordable prices in a bill and keep regime.

Moreover, claims of end user rate shock in a bill and keep regime are overstated. As previously discussed, one of the primary benefits of bill and keep is that it will allow end users to minimize costs by giving them the ability to exercise direct control over the costs of making and receiving calls.[36] In addition, bill and keep will eliminate

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[35] Regulatory Commission of Alaska Comments at 2.

[36] *See* Level 3 Comments at 22-23.

inefficiencies caused by carriers having to absorb costs that are improperly transferred to them from other carriers. The result will be a more efficient system for both carriers and end users. Although NARUC and several other commenters question whether reductions in access charges will be passed on by IXCs in a bill and keep regime,[37] the combination of eliminating indirect costs from long distance services and BOC entry into the long distance market should provide sufficient competitive pressure for carriers to pass through such savings.

Further, allowing end user prices to increase so they are attractive to competitors and providing explicit universal service support will promote competition in the local residential market. CompTel raises the concern that, if the ILEC cannot raise its end prices due to rate regulation, then CLECs will have no ability to raise their end user prices either.[38] However, that concern applies equally in the current regulatory environment that CompTel is defending in its comments. The Commission should not respond to the problem by allowing carriers to shift their costs to other carriers, but should implement end user pricing reform so that all carriers have the incentive to serve end users. If the Commission implements these pro-competitive reforms proposed by SBC, end users will have access to a wider range of telecommunications services at competitive prices than they do today.

B. SBC's Plan Contains Reasonable Rules For a Bill and Keep Regime

SBC's plan contains reasonable rules for a bill and keep regime that create the proper economic incentives for carriers to enter into negotiated arrangements without regulatory intervention. SBC has made some important modifications to the OPP

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[37] NARUC Comments at 5; Missouri PUC Comments at 2-3; Regulatory Commission of Alaska Comments at 8.

[38] CompTel Comments at 18.

COBAK proposal that make the bill and keep rules more flexible and consistent with existing network configurations. In particular, SBC's plan consists of three rules:

Rule 1: A mandatory requirement that service providers must recover network access costs such as the loop, end office switching, intra-network transport and network-to-network (N2N) transport from their own end users.

Rule 2: A default rule that the calling party's retail service provider for transport – whether it be a local service provider or a long distance provider – is responsible for the N2N transport between the end office serving the calling party and the end office serving the called party.

Rule 3: A default rule that, in cases where the end office serving the called party is not located in the called party's home Access Service Area (ASA) – which initially is defined as a LATA – the called party's service provider must establish a point of interconnection (POI) within the called party's ASA.

The guiding principle underlying SBC's Rule 1 is that a carrier should never be forced to pay another carrier for unavoidable costs. For example, an originating carrier that is required to pay for transport to the end office serving a called party has various options – it can self-provision, purchase transport from the terminating carrier or purchase transport from a third-party carrier. In contrast, an originating carrier that is required to pay for the cost of end office switching and the local loop serving the called party will have no way to avoid these costs. Accordingly, SBC's rule provides that a carrier must recover such costs from its own end users.

The purpose of SBC's Rules 2 and 3 is not to impose an unfavorable result on carriers as defaults, but to equitably allocate cost responsibility so that each carrier has a comparable obligation. SBC's default rules create the proper incentives for carriers to negotiate a mutually agreeable arrangement and to share transport costs in the most efficient manner given the configuration of the carriers' networks. It is important to remember that carriers will be *exchanging* traffic with each other in the vast majority of cases. As a general rule, the Commission should adopt bill and keep rules that are designed to encourage private negotiations, rather than attempting to predict the result the market would produce. Sprint's bill and keep proposal is a good example of how difficult it is to replicate a market-based outcome through regulation. The complex traffic volume and mileage provisions of Sprint's proposal may make sense as a negotiated result, but they are not viable as one-size-fits-all default rules that will apply to all carriers and all types of traffic.[39] SBC does not believe that *any* set of bill and keep rules will be able to accurately predict the "right answer" in a rapidly evolving market.

SBC's default rules are technologically neutral and responsive to concerns that traditional ILEC calling areas should not be imposed on CLECs and wireless carriers.[40] Qwest clarifies the important distinction between a *financial* POI that determines carrier responsibility for cost recovery and a *physical* POI where two networks actually interconnect.[41] The fact that an originating carrier has a responsibility to pay for the cost of delivering a call to the end office of the called party does not, as some parties claim, require that a physical POI be established at every end office.[42] It is fully consistent with the Commission's physical single POI requirement to establish a default financial POI at the called party's end office for bill and keep purposes. *Indeed, this default rule will encourage parties to negotiate an efficient and mutually agreeable physical POI.*

The default rules apply with equal force to the scenario where there is a third "transiting" carrier involved that has no retail relationship with an end user. In this situation, the originating carrier has elected to fulfill its transport obligation by utilizing

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[39] *See* Sprint Comments at 31-32.

[40] Focal et al. Comments at 57.

[41] Qwest Comments at 22.

[42] *See, e.g.*, Cbeyond Comments at 11; CTIA Comments at 40-42; Verizon Wireless Comments at 26-29.

the transiting carrier's transport services, rather than self-provisioning or purchasing transport from the terminating carrier. Therefore, the originating carrier is responsible for paying the costs associated with transiting services, which are avoidable and purely voluntary. Compensation for transiting services should be at market-based prices, not TELRIC-based prices.[43] The Commission has applied TELRIC-based pricing only to transport and termination that is provided pursuant to the reciprocal compensation requirements of Section 251(b)(5). As the Commission recently reaffirmed, reciprocal compensation pricing rules do not apply to transiting traffic because, by definition, transiting traffic does not originate on the transiting carrier's network.[44] Accordingly, an ILEC does not have any obligation under the Commission's reciprocal compensation rules to provide transiting services at TELRIC-based prices.[45]

In addition, SBC's default rules allocate responsibility for transport costs in a consistent manner for all traffic that a service provider agrees to transport on behalf of a called party (*e.g.*, local, long distance or both). Unlike the OPP COBAK proposal, SBC's default rules do not require that an originating carrier assume the cost of transporting a

[43] *See* Sprint Comments at 34-35.

[44] *Metrocall, Inc. v. Southwestern Bell Telephone Co. et al.*, File Nos. E-98-16 and E-98-17, Memorandum Opinion and Order on Supplemental Complaint for Damages, FCC 01-279 (rel. Oct. 2, 2001) (reaffirming that a paging provider is obligated to pay an interconnecting ILEC for transiting traffic that originates on another carrier's network).

[45] The fact that an ILEC has an obligation under Section 251(c)(2) to allow carriers to interconnect with its network at any technically feasible point is irrelevant to the issue of the rates that an ILEC charges for transiting traffic. The Commission has held that Section 251(c)(2) requires only the physical linking of two networks for the mutual exchange of traffic – the duty to establish reciprocal compensation arrangements for the transport and termination of traffic is a separate obligation covered by Section 251(b)(5). *In the Matter of Telecommunications Act of 1996: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket Nos. 96-98 and 95-185, First Report and Order, 11 FCC Rcd 15499, ¶ 176 (1996*), aff'd in part and rev'd in part Iowa Utils Bd. v. FCC*, 120 F.3d 753 (8th Cir. 1997*), aff'd in part and rev'd in part sub nom. AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366 (1999). Therefore, Section 251(c)(2) cannot be read to require TELRIC-based pricing for transiting traffic.

call to the end office of a called party that is outside the carrier's service territory. The rules simply allocate cost responsibility for each segment of a call and leave it to carriers and end users to negotiate the scope of the end user's service area. Thus, SBC's default rules apply to all types of carriers and all types of traffic, and it does not matter whether a carrier's service area is a local exchange area, an MTA or an entire state.

The modification proposed by SBC address concerns that AT&T and WorldCom raise about the default transport rules contained in the OPP COBAK proposal. They claim that, if the default rule is that the originating carrier is responsible for delivering a call to the IXC's point of presence (POP), the originating carrier may utilize inefficient one-way transport links and may not provide the level of service quality desired by the IXC. SBC raised a similar concern about IXC incentives to utilize inefficient one-way transport links to a terminating carrier under the OPP COBAK proposal. In recognition of the fact that the transport links between LEC end offices and IXC POPs already have been configured and installed according to the IXCs' specifications, SBC modified the OPP COBAK proposal so that the IXC retains responsibility for transport between LEC offices and IXC POPs. SBC's proposed default rule eliminates incentives by either LECs *or* IXCs to utilize inefficient one-way transport links, and it also avoids needless churn in existing network facilities.

SBC's default rules also utilize a consistent and technologically neutral definition of "end office." AT&T and others argue that carriers will be able to manipulate the meaning of end office in order to minimize their cost obligation.[46] That will not be the case if definitions such as "end office" are properly defined. As previously discussed, one of the primary purposes of the default rules is to prevent carriers from shifting unavoidable costs to other carriers. Therefore, SBC's definition of "end office" is the building location where end office switching occurs *and* the point at which the calling

[46] AT&T Comments at 35.

party's service provider cannot extend its transport facilities any further without actually providing network access service to the called party. For example, in the case of a call placed to a wireless phone, traffic can be exchanged at the wireless carrier's MSC, but not at a cell site. Therefore, the MSC meets the definition of an end office and the cost of transport from the MSC to the wireless phone must be recovered from the end user. SBC's definition is technologically neutral and will prevent carriers from gaming the system by designating equipment such as a central office remote module as an end office.

Some CLECs and wireless carriers complain that it is unfair to require them to deliver calls to every ILEC end office, rather than to a single POI on the ILEC's network.[47] SBC's default rules address these concerns because they are symmetrical. Just as a CLEC or wireless carrier will have an obligation to transport traffic *to* each ILEC end office, an ILEC will have an obligation to transport traffic *from* each of its end offices to the end offices of the CLEC or wireless carrier. As a result, an ILEC will have an incentive to negotiate an efficient and reasonably priced transport arrangement that covers the cost of transporting traffic to and from its end offices. By design, the default rules equalize the bargaining power of carriers regardless of their size or calling scope.

Moreover, SBC's definition of "end office" fairly allocates the cost of transport among carriers. Instead of focusing on the geographic area served by a switch, as it has in the past, the Commission should focus on the relative *benefit* that each carrier receives when it pays to deliver traffic to the end office of another carrier. It is true that ILECs generally have a greater number of end offices than a CLEC or wireless carrier, but they also serve large numbers of end users out of these end offices. Many SBC end offices (*i.e.*, wire centers) serve 60,000-70,000 access lines. Therefore, the CLEC or wireless

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[47] *See, e.g.*, Cbeyond Comments at 11; CTIA Comments at 40-42; Verizon Wireless Comments at 26-29.

carrier can offer its customers the benefit of reaching 60,000-70,000 called parties if it extends service to that end office.

In contrast, if the CLEC or wireless carrier were required to deliver traffic only to a tandem switch, it typically would gain access to over 1 million called parties and it would shift the cost of transporting traffic to individual end offices to the ILEC. SBC expects that CLECs and wireless carriers do not come close to serving 1 million end users from one of their switches. In the vast majority of cases, CLECs probably are serving less than 60,000-70,000 end users from each switch. Thus, the benefit that a CLEC or wireless carrier can offer its customers by delivering traffic to an ILEC end office is comparable (if not greater) than the benefit an ILEC can offer its customers by delivering traffic to a CLEC or wireless carrier end office.

SBC has attempted to craft a set of bill and keep default rules that will encourage carriers to negotiate their own efficient network interconnection arrangements. Nevertheless, experience has shown that the Commission's rules may have unintended consequences and that service providers often are able to exploit loopholes in the rules to create regulatory arbitrage opportunities. For example, it is possible that through the use of technology or network configuration, service providers may find a way to unfairly shift transport costs to other carriers either by designating only a single end office in an ASA for receiving traffic or by designating an artificially large number of end offices in an ASA. While SBC believes the Commission should err on the side of keeping the default rules clear and unambiguous, it also recognizes that the Commission may have to adopt additional safeguards (*e.g.*, more detailed ASA or financial POI requirements) if the record shows that such safeguards are necessary. At a minimum, the Commission must be more willing than it has in the past to adjust its rules to eliminate inefficient and unexpected regulatory arbitrage behavior that may arise in a bill and keep regime.

C. Bill and Keep Should Apply Consistently to All Types of Carriers and All Types of Traffic

SBC agrees with the Illinois PUC and other commenters that bill and keep rules should be applied consistently to the exchange of all telecommunications traffic between a LEC network and another carrier's network.[48] However, SBC also recognizes that replacing interstate and access charges with bill and keep is a complex undertaking because these charges are an important source of implicit subsidies for local residential services. The Commission should establish a reasonable transition period that gives the Commission and the states time to eliminate implicit subsidies and to establish the necessary end user recovery mechanisms before implementing a bill and keep regime. However, the Commission should not delay this proceeding indefinitely by taking a "wait and see" approach, as advocated by some rural carriers.[49]

It is critical that the transition from interstate and intrastate access to bill and keep occur simultaneously.[50] Otherwise, there would be a massive arbitrage problem caused by providers and end users shifting traffic to the interstate jurisdiction in order to bypass intrastate access charges. It also would exacerbate the problem of percentage of interstate usage reporting by creating a strong incentive to overstate interstate usage. This transition will require a coordinated federal-state effort[51] that must be led by the Commission. The Commission also must ensure that bill and keep is implemented in all states and for all ILECs simultaneously.[52] A uniform transition to bill and keep is needed to avoid arbitrage, as well as the untenable situation where a different regulatory regime will apply

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[48] *See, e.g.*, Illinois Commerce Commission Comments at 2-3; Home Telephone Comments at 10-12.

[49] *See, e.g.*, NECA Comments at 4; Western Alliance Comments at 27-28.

[50] S*ee, e.g.*, Sprint Comments at 23; WorldCom Comments at 9.

[51] Texas PUC Comments at 3-5; Sprint Comments at 23-24.

[52] Sprint Comments at 26.

depending on the origination point and termination point of the call. The Commission should establish a firm deadline for the nationwide implementation of bill and keep that is binding on the states, but it should give states flexibility to adopt transition plans for implementing bill and keep within this timeframe.

SBC supports the Commission's proposal to implement bill and keep for all traffic subject to reciprocal compensation, including local, Internet and wireless traffic. This can be done immediately. Unlike access charges, reciprocal compensation is not part of the legacy implicit subsidy structure, so no transition period is needed. As previously discussed, replacing reciprocal compensation with bill and keep would at least address some of the significant regulatory arbitrage problems created by the existing intercarrier compensation rules. By implementing bill and keep for all traffic subject to reciprocal compensation, the Commission can address concerns of that it would unfairly favor ILECs to implement bill and keep only for Internet traffic.

IV. The Commission Has the Authority to Address the Problem of Implicit Subsidies and to Implement a Uniform Bill and Keep Regime

SBC's initial comments contained a detailed legal analysis demonstrating that the Commission has the authority to address the problem of implicit subsidies and to implement a uniform bill and keep regime for interstate and intrastate traffic. As SBC explained, the Commission's authority – and indeed its obligation – to eliminate implicit subsidies arises out of the universal service requirements of Section 254 of the Act. A number of recent court decisions have confirmed the Commission's statutory obligation to end the reliance on implicit subsidies and to establish explicit federal and state mechanisms that preserve and advance universal service. In fact, the Tenth Circuit's remand in *Qwest v. FCC* requires the Commission to "develop mechanisms to induce adequate state action" and to "explain further its complete plan for supporting universal service."[53]

With respect to bill and keep, the Commission held in the *ISP Intercarrier Compensation Order* that it has plenary authority under Sections 251(g) and 201(b) to implement a bill and keep structure and establish an end user recovery mechanism for interstate switched access. The Commission also has the authority under Section 251(b)(5) to require that states transition to bill and keep and establish the necessary end user mechanisms for terminating intrastate switched access. The Commission can adopt general end user recovery requirements for local traffic in a bill and keep regime, just as it has prescribed general reciprocal compensation pricing rules for local traffic. Further, a bill and keep regime that provides for end user recovery is consistent with Sections 251(b)(5) and 252(d)(2) of the Act. These provisions should be read as requiring that reciprocal compensation arrangements provide for the "mutual and reciprocal recovery of costs," and not as requiring reciprocal intercarrier compensation payments.

Opponents of bill and keep argue that the Commission lacks the authority to adopt a mandatory bill and keep regime. This argument is based on the false premise that bill and keep effectively establishes a transport and termination rate of zero and, therefore, does not provide cost recovery unless the traffic flow between carriers is balanced.[54] As previously discussed, bill and keep is a set of cost recovery rules that shifts the primary source of cost recovery from carriers to end users. Bill and keep does not set carrier recovery for transport and termination costs at zero, it merely prohibits carriers from unilaterally shifting such costs to other carriers. Thus, the Commission clearly was correct in concluding that bill and keep arrangements provide for the "mutual

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[53] *Qwest v. FCC*, Nos. 99-9546, 99-9947 and 00-9505, 2001 U.S. App. LEXIS 17044, at *27-28 (10th Cir. July 31, 2001).

[54] CompTel Comments at 23-24; AT&T Comments at 36-39.

and reciprocal recovery of costs associated with the transport and termination of traffic" when traffic is not in balance, so long as there is a legitimate opportunity for end user recovery.[55]

In any event, concerns about imbalanced traffic are overblown.[56] The phenomenon of carriers seeking out customers that generate one-way traffic is a product of the arbitrage opportunities created by the current CPNP regime. In a bill and keep regime, carriers will not be able to generate huge reciprocal compensation payments from one-way traffic. Therefore, market incentives will not be skewed in favor of customers with disproportionate amounts of such traffic. At most, a carrier will be able to avoid some modest costs if it serves a customer that originates a significant amount of traffic that terminates on another carrier's network. As Sprint notes, cost savings are not the same thing as additional revenues and will not create the same type of market incentives.[57]

Moreover, a number of comments question whether the Commission has the jurisdiction to replace intrastate access charges with bill and keep. The assumption of some commenters appears to be that applying bill and keep to intrastate access traffic will require some expansion of the Commission's jurisdiction over intrastate traffic.[58] That is not the case. As the Commission recently concluded in the *ISP Intercarrier Compensation Order*, Section 251(b)(5) applies on its face to the transport and termination of *all* telecommunications traffic without exception.[59] To the extent Section

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[55] *Intercarrier Compensation NPRM* at ¶¶ 75-76.

[56] *See* CompTel Comments at 9.

[57] Sprint Comments at 11. If this does not prove to be the case, the Commission can modify the bill and keep rules to address the problem.

[58] NRTA and OPASTCO Comments at 7-9; Michigan Exchange Carriers Association Comments at 47-48; Allegiance Comments at 38.

[59] *ISP Intercarrier Compensation Order* at ¶ 31.

251(g) exempts certain categories of telecommunications services from automatic application of the reciprocal compensation obligations of Section 251(b)(5), it merely gives the Commission flexibility to transition from existing access regimes to a new regulatory regime such as bill and keep. Thus, regardless of whether intrastate access service falls within the scope of the Section 251(g) exemption, the Commission has the authority to replace intrastate terminating access with bill and keep.[60]

The Commission also has the authority to establish requirements for the end user recovery mechanisms that replace intrastate terminating access charges. As previously discussed, the Commission already has established general requirements for reciprocal compensation payments. It has the same authority to establish general requirements for end user recovery in a bill and keep regime. There is nothing novel about the Commission prescribing a general pricing methodology for bill and keep under Section 251(b)(5) while preserving state authority to establish end user pricing rules that are consistent with its methodology.

V. The Commission Should Reject Proposals to Retain the CPNP Regime and to Impose Mandatory TELRIC-Based Prices for Interstate Access Services

A number of commenters, including AT&T and CompTel, propose that the Commission retain the existing CPNP regime and impose mandatory TELRIC-based pricing for ILEC interstate access services. AT&T would benefit from this proposal in two ways – it would be able to bypass originating access charges through its cable modem services, and it would reduce the cost of inputs for its long distance services.

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[60] As SBC noted in its initial comments, the Commission does not appear to have the authority to mandate bill and keep for originating intrastate access services. The Commission, however, does have the authority to require that states cease relying on intrastate switched access services (both originating and terminating) as a source of implicit subsidies. Moreover, the Commission should encourage the states to transition to bill and keep for originating intrastate access so as not to stand in the way of a nationwide bill and keep regime.

CompTel's primary goal appears to be preserving reciprocal compensation revenues for ISP-bound traffic by arguing for consistent treatment of reciprocal compensation and access charges.[61] The Commission should reject these self-interested proposals to impose burdensome price regulations on ILECs for the indefinite future. Maintaining a CPNP regime and imposing TELRIC-based rates would be contrary to the Commission's goals of implementing a deregulatory and pro-competitive intercarrier compensation regime.

Intercarrier compensation "reform" that consists of mandating TELRIC-based pricing for access services would create significant end user pricing and universal service issues. AT&T and CompTel completely disregard the fact that interstate and intrastate access services are an important source of implicit subsidies for below-cost local residential service. Therefore, it is disingenuous at best for them to propose draconian reductions in access charges with no plan for providing end user recovery mechanisms to replace these lost implicit subsidies. Maintaining a CPNP regime with TELRIC-based access prices would benefit IXCs by reducing the cost of their inputs, but it would not provide the foundation for a unified intercarrier compensation regime that benefits end users.

Mandatory TELRIC-based pricing for reciprocal compensation and access services would not eliminate arbitrage problems created by the current CPNP regime. Merely establishing uniform prices would not address the problems that arise from the fact that different types of traffic are subject to different intercarrier compensation rules. For example, technologies such as Internet telephony currently are not subject to either reciprocal compensation or access charges. *The solution is to implement uniform cost recovery rules, not uniform prices*. By establishing uniform bill and keep rules, the Commission can eliminate arbitrage opportunities and ensure technological and competitive neutrality.

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[61] CompTel Comments at 20.

In addition, retaining an inefficient CPNP regime and imposing mandatory TELRIC-based price would deter sustainable facilities-based competition and undercut the competition that already has developed. SBC has repeatedly expressed its strong opposition to the Commission's TELRIC methodology and it will not repeat those arguments here. The lawfulness of TELRIC will be addressed by the Supreme Court and will no doubt be the subject of further proceedings. For purposes of this proceeding, the Commission should recognize that any type of mandatory pricing regulation based on forward-looking costs would remove the margin from access services and curtail facilities-based competition. It also would have a disastrous effect on ILEC investment and innovation in the network. The only beneficiaries of such a pricing regime would be IXCs that would experience price reductions in the inputs for their long distance service.

There is no basis for the Commission to discontinue its longstanding market-based approach to the regulation of access services. The interstate access market has been open to competition for more than 10 years. During that time, the Commission has rejected proposals for mandatory TELRIC-based prices for interstate access service on numerous occasions. Instead, the Commission has consistently relied on competition as the primary means of establishing prices for interstate access service.[62] The Commission also has concluded that access charge reform should lead to the gradual reduction, and eventual elimination, of rate regulations as competition developed.[63] Consistent with its long-term goal, the Commission granted price cap LECs pricing flexibility for many interstate access services in 1999 and established a framework for additional deregulation upon a showing of facilities-based competition.[64] SBC submitted the requisite

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[62] *Access Charge Reform Order*, CC Docket No. 96-262, First Report and Order, 12 FCC Rcd 15982, 16001-02 (1997), *aff'd sub. nom., Southwestern Bell v. FCC*, 153 F.3d 523 (8th Cir. 1998).

[63] *Id.* at 16003.

[64] *See generally Pricing Flexibility Order*.

competitive showing and received various levels of pricing flexibility relief in more than 40 markets earlier this year.[65]

The Commission should continue its market-based approach and implement structural changes to the intercarrier compensation regime that will enhance the operation of the market. As previously discussed, bill and keep will produce a favorable market environment for voluntary carrier-to-carrier negotiations. Unlike CPNP, regulators will not have to maintain pricing regulations for intercarrier compensation and guard against problems such as arbitrage and the terminating monopoly problem. Intercarrier payments will be exchanged for purely voluntary transport arrangements where both sides have equal bargaining power. Therefore, it will not be necessary to maintain one-sided pricing regulation of ILEC networks out of concern that ILECs will be able to exercise market power to the detriment of other carriers. The combination of mature competition in the market and rules that minimize the need for regulatory oversight will make it possible for the Commission to reduce, and gradually to eliminate, its regulation of intercarrier charges.

Bill and keep also will produce a favorable market environment for end users. Instead of paying for some costs indirectly, bill and keep will give end users direct control over their costs of making and receiving calls. By giving all carriers pricing flexibility to offer end users new services and pricing plans, carriers will be able to be more responsive to end user needs in a bill and keep regime than is possible today. Further, a bill and keep regime that is accompanied by much-needed end user pricing reform will encourage competition in all segments of the market. Rather than regulators seeking to manufacture competition through artificially low wholesale prices, competitors

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[65] *Petition of Ameritech Illinois, Ameritech Indiana, Ameritech Michigan, Ameritech Ohio, and Ameritech Wisconsin for Pricing Flexibility et al.*, CCB/CPD Nos. 00-26, 00-23 and 00-25, Memorandum Opinion and Order, 16 FCC Rcd 5889 (2001).

will have market incentives to serve residential customers in addition to business customers.

VI. Conclusion

The Commission has a unique opportunity in this proceeding to achieve meaningful reform of the legacy system of implicit subsidies and disparate intercarrier compensation rules. SBC supports the Commission's proposal to implement a unified bill and keep regime, rather than continuing to implement incremental reforms and short-term fixes to the CPNP regime. By taking this decisive action, the Commission can eliminate implicit subsidies, jump-start local residential competition, and eliminate regulatory arbitrage problems that are distorting the market.

SBC has proposed a comprehensive reform plan that lays the groundwork for implementing a unified bill and keep regime. In particular, the Commission must establish the necessary end user recovery mechanisms to replace recovery from intercarrier charges. The Commission also must rationalize end user prices so they are no longer dependent on implicit subsidies from intercarrier charges. To address affordability concerns, the Commission must provide explicit universal service support to ensure that end user prices remain affordable in a bill and keep environment.

Ultimately, the choice between the status quo and bill and keep is a choice between ongoing regulation and a market-based approach. Retaining a CPNP regime and mandating TELRIC-based prices will not eliminate arbitrage problems or the need for continued intrusive regulation. Bill and keep, on the other hand, will produce a more efficient cost recovery mechanism that encourages voluntary negotiations and minimizes the need for regulatory intervention. It also will give end users direct control over their costs of making and receiving calls, which will stimulate competition and create market incentives for new services and pricing plans.

Respectfully Submitted,

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